

**MEETING OF THE BOARD OF TRUSTEES
ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION**
Thursday, October 30, 1997 - 1:00 p.m.
Via Videoconference
Allegheny General Hospital Board Room, Pittsburgh
Hahnemann Board Room, Philadelphia

A meeting of the Board of Trustees of Allegheny Health, Education and Research Foundation ("AHERF") was held on Thursday, October 30, 1997, at 1:00 p.m., by videoconference in the Allegheny General Hospital Board Room in Pittsburgh and Hahnemann Board Room in Philadelphia. The meeting was called pursuant to notice duly given in accordance with the Bylaws to each member of the Board of Trustees. A copy of the notice is appended to the original minutes of this meeting. The following individuals were present:

Members Present

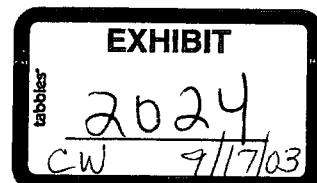
Sherif S. Abdelhak
 William F. Adam
 J. David Barnes
 Iain F.S. Black, M.D.
 Ralph W. Brenner, Esq.
 Dorothy McKenna Brown, Ed.D.
 Douglas D. Danforth
 Harry R. Edelman, III
 Robert L. Fletcher
 William H. Genge
 Ira J. Gumberg
 Robert M. Hernandez
 Joseph C. Maroon, M.D.
 Donna M. Murasko, Ph.D.
 Francis B. Nimick, Jr.
 Robert B. Palmer
 Richard L. Ray, M.D.
 J. Brandon Snyder
 W.P. Snyder, III
 Richard Spielvogel, M.D.
 Leon C. Sunstein, Jr.
 W. Bruce Thomas
 Stanley Trooskin, M.D.
 Mark Victor, M.D.
 Walter L. Williamson
 Margaret Gray Wood, M.D.

Other Invitees

Calvin Bland
 Debra Caplan
 Mary Anne Darragh
 Joseph D. Dionisio
 David Gur, Sc.D.
 Lynn R. Isaacs
 Dwight Kasperbauer
 Donald Kaye, M.D.
 Donald E. Kline
 Robert Mathews
 David W. McConnell
 James H. McMaster, M.D.
 Charles P. Morrison
 Michael W. Moyer
 Leonard L. Ross, Ph.D.
 Barry H. Roth
 Anthony M. Sanzo
 Cherry S. White
 Nancy A. Wynstra, Esq.

Members Absent

Henry G. Allyn, Jr.
 Barbara F. Atkinson, M.D.
 Ronald R. Davenport
 Leonard T. Ebert
 Teresa Heinz
 Alfred W. Martinelli
 Joseph Neubauer
 Thomas H. O'Brien
 Chryss O'Reilly
 David W. Sculley



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I. OPENING OF THE MEETING

The meeting was called to order at 1:00 p.m. by W.P. Snyder III, Chairman. Nancy A. Wynstra, Esq. maintained the minutes. The Chairman declared that a quorum was present and the meeting was competent to proceed.

II. EXECUTIVE SESSION

The Chair announced that an Executive Session would not be held and that the Report from the Committee on Trustees would be presented in the full Board meeting.

A. Report from the Committee on Trustees

Mr. Abdelhak reviewed the recommendations of the AHERF Committee on Trustees for changes to the governance structure. A comprehensive analysis of the governance structure was undertaken as a result of the comments received from many of the Trustees about the inefficiencies of the current structure. Mr. Abdelhak stated that the proposed structure would simplify the governance process, make better use of the time devoted to governance matters, minimize duplication of materials, facilitate trustee involvement in strategic planning and enhance the goal of organizational system integration.

Upon motion duly made and seconded, the Board of Trustees approved the proposed restructuring in concept.

B. Nominations for AHERF Officers for the Calendar Year 1998

Upon recommendation of the Committee on Trustees, Mr. Nimick presented the proposed slate of AHERF officers for calendar year 1998. Upon motion duly made and seconded, the Board of Trustees approved the following resolution:

RESOLVED, that the Board of Trustees of Allegheny Health, Education and Research Foundation appoints the following individuals as officers to serve at the pleasure of the Board for the ensuing year.

Chair - William P. Snyder III
Vice Chair - Douglas D. Danforth

*Executive Vice President - Dwight Kasperbauer
*Executive Vice President - Donald Kaye, M.D.
*Executive Vice President - David W. McConnell

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*Executive Vice President - Leonard L. Ross, Ph.D.
*Executive Vice President - Anthony M. Sanzo
*Executive Vice President - Nancy A. Wynstra, Esq.

*Secretary - Nancy A. Wynstra, Esq.
*Treasurer - David W. McConnell
*Assistant Secretary - Lynn R. Isaacs
*Assistant Secretary - Cherry S. White
*Assistant Treasurer - Michael P. Martin

* Appointed Officer without vote

III. ADDITIONS TO THE AGENDA

There were no additions to the agenda.

IV. AHERF GOVERNANCE ISSUES

A. Minutes from the Meeting Held on June 20, 1997

Mr. Snyder presented the minutes from the meeting of the Board of Trustees of Allegheny Health, Education and Research Foundation held on June 20, 1997. Upon motion duly made and seconded, the Board approved the following resolution:

RESOLVED, that the Board of Trustees of Allegheny Health, Education and Research Foundation approves the minutes from the meeting held on June 20, 1997, as presented.

B. New Jersey Workers' Compensation Indemnification

Ms. Wynstra presented a proposed resolution regarding New Jersey Workers' Compensation Indemnification. Upon motion duly made and seconded, the Board of Trustees approved the following resolution:

WHEREAS, the Board of Trustees of Allegheny Health, Education and Research Foundation (AHERF) on March 26, 1993, authorized certain officers of AHERF to execute indemnification agreements and/or guarantees on behalf of its

subsidiaries doing business in the Commonwealth of Pennsylvania, to guarantee the payments of sums of money for compensation, including disability benefits, for Workers' Compensation; and

WHEREAS, the Allegheny system now does business in the State of New Jersey and wishes to self insure for its Workers' Compensation; and

WHEREAS, the President, and the Secretary and/or Treasurer of AHERF propose to execute general indemnity agreements in favor of Allegheny Integrated Health Group and Allegheny Hospitals, New Jersey (to be renamed Allegheny University Hospitals, New Jersey), or such other Allegheny subsidiaries which may do business or locate in the State of New Jersey; and

WHEREAS, AHERF, under said general indemnity agreements will agree to undertake to guarantee the payment of any sum of money for compensation, including disability benefits, which may be or become legally due from such subsidiaries under the provisions of N.J.S.A. 34:15-1, *et seq.*

NOW THEREFORE, BE IT RESOLVED, that the Board of Trustees of Allegheny Health, Education and Research Foundation (AHERF), hereby expressly authorizes the President, and the Secretary and/or Treasurer of AHERF to execute general indemnity agreements, in substantially the form presented at this meeting, in favor of Allegheny Integrated Health Group, Allegheny Hospitals, New Jersey (to be renamed Allegheny University Hospitals, New Jersey), or such other Allegheny subsidiary as deemed necessary by the President of AHERF, or his designee, in favor of the subsidiaries; and

FURTHER RESOLVED, that this resolution shall be effective immediately and shall not be amended or abrogated without prior notice to the Commissioner of Banking and Insurance, State of New Jersey; and

FURTHER RESOLVED, that the Secretary is directed to attach to the original minutes of this meeting a copy of a general indemnity agreement as presented at the meeting.

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V. REPORT FROM THE AUDIT COMMITTEE

A. Report on Fiscal Year 1997 Audited Financial Statements and Related Reports for AHERF

Mr. Barnes presented the Report on Fiscal Year 1997 Audited Financial Statements and Related Reports for AHERF. Mr. Barnes reported that audited financial statements for AHERF were presented along with the debt compliance verification letter for each outstanding debt obligation requiring annual verification. He noted that AHERF management has elected to present one consolidated set of financial statements (with consolidating schedules that identify the financial data of the separate entities) for the year ended June 30, 1997, in lieu of separate audit reports for the various AHERF entities. Given the complex nature of AHERF's integrated system, consolidated reporting portrays a more accurate picture of the financial condition and resources of the AHERF system. Mr. McConnell noted that the audit work was completed September 4, 1997, however, the Report of the Independent Auditors has not been signed. Management is waiting for official waivers from the Graduate System bond trustees related to debt covenant violations, which are expected shortly. The Audited Financial Statements will be signed and issued once the waivers are received. Discussion followed.

Upon motion duly made and seconded, the Board approved the following resolution:

RESOLVED, that the Allegheny Health, Education and Research Foundation Board of Trustees approves the Audited Financial Statements and the related debt compliance letters for Fiscal Year 1997, as presented, subject to sign-off by Coopers & Lybrand; and

FURTHER RESOLVED, that the Board instructs the Secretary to append copies of the approved Fiscal Year 1997 Financial Statements and related debt compliance letters to the original minutes of this meeting.

B. Fiscal Year 1997 Report on AHERF Internal Controls

Mr. Barnes presented the Fiscal Year 1997 Report on AHERF Internal Controls. He reported that Coopers & Lybrand had reviewed internal controls within AHERF and its obligated group entities and stated that there were no matters noted during the audits that would be considered to be material weaknesses in the internal control structure.

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Upon motion duly made and seconded, the Board approved the following resolution:

RESOLVED, that the Allegheny Health, Education and Research Foundation Board of Trustees accepts the Coopers & Lybrand Report on AHERF Internal Controls, as presented; and

FURTHER RESOLVED, that the Board instructs the Secretary to attach a copy of the approved Report to the original minutes of the meeting.

C. Recommendation of Appointment of External Auditors for Fiscal Year 1998

Mr. Barnes presented the recommendation of reappointment of Coopers & Lybrand as external auditors for Fiscal Year 1998, noting that they have served as Allegheny's external auditors for more than 100 years. Mr. Barnes stated that Management will report back to the AHERF Audit Committee on the results of Management's negotiations with Coopers & Lybrand, including estimated audit fees, but stated that the anticipated fees are very reasonable and competitive.

Upon motion duly made and seconded, the Board approved the following resolution:

RESOLVED, that the Allegheny Health, Education and Research Foundation Board of Trustees reappoints Coopers & Lybrand as independent auditors for AHERF and its subsidiary organizations for Fiscal Year 1998.

VI. REPORT FROM THE FINANCE COMMITTEE

A. Results of AHERF Operations for the Period Ended September 30, 1997

Mr. Barnes presented the Results of AHERF Operations for the Period Ended September 30, 1997 and highlighted significant factors affecting AHERF's financial position. Mr. Abdelhak reported that while volume has remained close to budget, the system is \$34 million behind the budgeted amount with \$27 million of the deficit occurring in the Eastern Region. He stated that steps have been taken by every entity in the organization to improve their results. There was discussion regarding HealthChoices move to managed care, the State's elimination of general assistance coverage, the enactment of the Balanced Budget Act, and an increase in the CAT Fund Surcharge. He also emphasized that the organization is very strong financially.

Mr. Morrison reviewed significant factors contributing to the Delaware Valley results and Mr. Dionisio reviewed the results of operations in the Western Region. Discussion followed.

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Upon motion duly made and seconded, the Board considered approval of the following resolution:

RESOLVED, that the Board of Trustees of Allegheny Health, Education and Research Foundation accepts the Results of AHERF Operations for the Period Ended September 30, 1997, as presented; and directs the Secretary to append a copy of the accepted Results of AHERF Operations for the Period Ended September 30, 1997 to the original minutes of the meeting.

B. Inter-Company Loans

Mr. Barnes reported that the Inter-Company Loans Report has been deferred following an extensive discussion at the AHERF Finance Committee meeting, and that a small group will meet to address the issues and make recommendations concerning the future handling of such matters.

C. Amendments to the AHERF Retirement Account Plan

Mr. Barnes presented the proposed amendments to the AHERF Retirement Account Plan. Mr. Kasperbauer noted that it is desirable to include any acquired organizations in the AHERF Pension Plan and that, additionally, certain minor changes to the Plan were recommended to promote greater efficiencies in operation.

Upon motion duly made and seconded, the Board approved the following resolution:

RESOLVED, that the adoption of the AHERF Retirement Account Plan and the AHERF Matched Savings Plan by Allegheny Hospitals, Centennial; Allegheny Hospitals, New Jersey; and Allegheny University Medical Centers (including AUMC\Canonsburg) as participating employers on behalf of their eligible employees, effective January 1, 1998, be and hereby is approved; and be it

FURTHER RESOLVED, that the merger of the Retirement Plan for Employees of the Forbes Health System and related trust (the "Forbes Plan"), the Retirement Plan for Employees of Allegheny Valley Hospital and related trust (the "AVH Plan"), and the Canonsburg General Hospital Retirement Plan and related trust (the "Canonsburg Plan") with and into the AHERF Retirement Account Plan and Trust, effective January 1, 1998, be and hereby is approved; and be it

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FURTHER RESOLVED, that the AHERF Retirement Account Plan Amendment and Restatement Specifications presented to this meeting be and hereby are approved and adopted; and be it

FURTHER RESOLVED, that the President and Chief Executive Officer of AHERF and such other officers as may be necessary (or as delegated by the President and Chief Executive Officer) are hereby authorized to execute an amendment and restatement of the AHERF Retirement Account Plan, effective January 1, 1998, which incorporates the foregoing Amendment and Restatement Specifications and makes such other modifications as the President and Chief Executive Officer (or such other officers as delegated by the President and Chief Executive Officer) may deem necessary or appropriate to carry out the purposes of the Retirement Account Plan and these resolutions; and be it

FURTHER RESOLVED, that the appropriate officers of AHERF are hereby each severally authorized to execute such documents, and take such other actions, as may be necessary, desirable, or appropriate to effect the foregoing actions.

D. Management Report on Investments as of September 30, 1997

Mr. Barnes presented, as information, the Management Report on Investments as of September 30, 1997.

E. Information Systems Annual Report

Mr. Barnes presented, as information, the Information Systems Annual Report.

F. Impact of Legislative Changes on AHERF

Mr. Barnes presented, as information, a report on the impact of legislative changes on AHERF.

VII. INFORMATION ITEMS

A. AHERF - Management Report

Mr. Abdelhak presented the 1997 AHERF Annual Report to the Board of Trustees, stating that the report reflects all elements of the Mission of the organization.

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B. Reports from Subsidiary Organizations:

1. Allegheny General Hospital

Mr. Sanzo presented the Report from the President and CEO of Allegheny General Hospital for the Fourth Quarter, Fiscal Year 1997, as information, highlighting that inpatient admissions were 5% higher than budget, representing a significant volume increase for nearly every payor class. Clinical services primarily contributing to the favorable budget variance were thoracic surgery, cardiology and trauma. Outpatient service activity was 17% greater than budget and 28% greater than last years actual activity.

2. Allegheny Health Services Providers Insurance Company

Ms. Wynstra presented the Quarterly Report for Allegheny Health Services Providers Insurance Company ("AHSPIC"), as information.

3. Allegheny Integrated Health Group

Mr. Barnes presented the Report from the President and CEO of Allegheny Integrated Health Group, as information. He commented on patient referral strategies, as well as efforts underway to achieve the goal of a break-even budget. Mr. Abdelhak commended Donald Kaye, M.D. on the leadership he provided on an interim basis as President and CEO of AIHG, having successfully completed the practice acquisition phase of the medical network ahead of schedule, as well as further accomplishments in this difficult marketplace.

4. Allegheny University Medical Centers

Mr. Roth presented the Report from the President and CEO of Allegheny University Medical Centers, as information, noting that AUMC is ahead of budget and has benefited significantly from becoming part of AHERF.

5. Allegheny University Hospitals

Mr. Edelman presented the Report from the President and CEO of Allegheny University Hospitals, as information. He also commended Dr. Kaye on his achievements with Allegheny Integrated Health Group. Dr. Kaye then discussed operational performance of the hospitals noting that volume is up but revenue is down, and the recent workforce and spending reductions in the Delaware Valley.

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6. Allegheny (University) Hospitals, Centennial

Mr. Gumberg presented the Report of the President of Allegheny (University) Hospitals, Centennial, as information. He commented on the recruitment of physicians and the creation of The Orthopedic Hospital of AUH, Graduate".

7. Allegheny (University) Hospitals, New Jersey

Mr. Danforth presented the Report of the President of Allegheny (University) Hospitals, New Jersey, as information. The Zurbrugg Facility has been sold. Rancocas is currently building a new medical office building and new operating rooms.

8. Allegheny University of the Health Sciences

Dr. Ross presented the Report of the Provost of Allegheny University of the Health Sciences, as information. He discussed the University's reaccreditation site visit conducted by the Commission on Higher Education, Middle States Association of Colleges and Schools. Dr. Ross noted that the site team was complimentary and he was optimistic that they will recommend that the University be reaccredited for another ten years.

9. St. Christopher's Hospital for Children

Mr. Brener and Mr. Bland presented the Report of the President and CEO of St. Christopher's Hospital for Children, as information. Mr. Bland discussed faculty recruitment and restructuring and discussed the likely impact of the opening of the Temple Pediatric facility.

B. Management Reports from Managed Organizations:

1. Ohio Valley Health Services Educational Corporation

Mr. McConnell presented the President's Report of Ohio Valley Health Services Educational Corporation, as information. The Ohio Valley Health Services relationship has existed for 10 years and the contract was recently renewed for an additional 10 years. Approximately 500 cases have been referred to Allegheny General Hospital this year.

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2. Delaware Valley Medical Center

Dr. Kaye presented the Management Report of Delaware Valley Medical Center, as information. He commented on the recent decrease in the workforce, and an increase in revenues from third party carrier contracts.

VI. ADJOURNMENT

There being no further business, the meeting was adjourned.

Respectfully submitted,

Nancy A. Wynstra, Esq.
Secretary

NOTED ATTACHMENTS: Meeting Notice; AHERF General Indemnity Agreement, FY 1997 Financial Statements and Debt Compliance Letters, Report on AHERF Internal Controls, Results of Operation for the Period Ended September 30, 1997

EXHIBIT 2038

**ALLEGHENY HEALTH, EDUCATION & RESEARCH FOUNDATION
FINANCE AND AUDIT COMMITTEE
SUMMARY OF DISCUSSIONS
Pittsburgh, Pennsylvania**

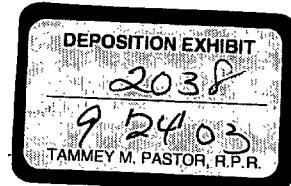
A meeting of the Finance and Audit Committee of Allegheny Health, Education & Research Foundation was held on Wednesday, March 11, 1998 at noon in the Board Room of Allegheny General Hospital, Pittsburgh, Pennsylvania. The meeting was called pursuant to notice duly given in accordance with the Bylaws to each member of the Committee. A copy of the notice is appended to the original minutes of this meeting. The following individuals were present:

<u>Members Present</u>	<u>Other Invitees</u>	<u>Members Absent</u>
J. David Barnes	Sherif S. Abdelhak	Harry R. Edelman
Douglas D. Danforth	Al Adamczak	Ira J. Gumberg
Paul D. Neuwirth*	William F. Buettner (Coopers & Lybrand)	Robert B. Palmer
	Mary Anne Darragh	Randall L.C.Russell, Ph. D.
	Joseph D. Dionisio	
	Carol Gordon	
	Lynn R. Isaac*	
	Donald Kaye, M.D.*	
	Michael P. Martin	
	David W. McConnell	
	Charles P. Morrison*	
	Leonard L. Ross, Ph. D.*	
	Anthony M. Sanzo	
	Louis L. Testoni (Coopers & Lybrand)	
	Diane K. Schrecengost	
	Nancy A. Wynstra, Esq.	

* Via Videoconference

I. Opening of Meeting

The meeting was called to order by J. David Barnes, Chairman. Nancy A. Wynstra maintained a summary of the discussions. Mr. Barnes noted that, since a quorum was not present, no action would be taken at the meeting, but that the items on the agenda would be reviewed and discussed for information purposes only. He advised the group that a Unanimous Consent in Lieu of Meeting would be circulated to the Committee members if it is necessary to obtain authorization from the Committee for the action items discussed at today's meeting prior to the next scheduled meeting. Mr. Barnes



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noted that any recommendations of the Trustees present on such matters would be transmitted with the Unanimous Consent form as a Summary of Discussions.

II. Additions to the Agenda

Mr. Barnes noted that there was one addition to the agenda.

III. Approval Items

A. Minutes from the AHERF Finance Committee Meeting Held on October 30, 1997

The Committee recommended that the minutes from the meeting held on October 30, 1997 be approved.

B. Minutes from the AHERF Audit Committee Meeting Held on October 15, 1997

The Committee recommended that the minutes from the meeting held on October 15, 1997 be approved.

C. Results of AHERF Operations for the Period Ended January 31, 1998

Sherif Abdelhak introduced Al Adamczak, Vice President, to present AHERF's Results of Operations through January, 1998. Mr. Adamczak stated that certain assets which comprised the pending divestiture were separated from ongoing operations to provide a clear focus for discussion. Mr. Adamczak noted the operating results showed a net loss of \$71.8 million, principally because of a shortfall of \$57 million in net patient service revenue relating to the Delaware Valley hospitals and the Allegheny University Medical Practices (AUMP). The Statement of Cash Flows showed \$100 million used by operating activities, some capital expenses were paid by a drawdown of investments, and certain debt payments were funded by Line of Credit borrowing. Sherif Abdelhak stated that plans were being formulated to effect a \$200 million improvement which would be implemented during the current fiscal year. One such improvement is that of a policy adjustment in the Information Services Department in that AHERF will no longer take a leading edge approach but rather a trailing edge approach to new systems. This philosophy will enable our

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Information Services Department to more fully review the success of new systems and implement them within AHERF when it is cost beneficial to do so.

Mr. Abdelhak further noted that a change in policy will be implemented in that certain core "corporate" functions which had been centralized will now be assigned to the operating units using the service, thus enabling the executives in the regions to assess and control these elements of their costs. Discussion ensued regarding the losses attributable to AUMP, and Mr. Barnes noted that it will be necessary to reduce the costs in AUMP without negatively impacting the hospital system. The goal of AUMP management is for a \$60 million improvement in the organization's bottom line results.

Mr. Abdelhak provided the Committee with an explanation of the references in the financial statements to the divestiture of certain assets. The AHERF Board of Trustees, at its meeting on March 12, will be asked for permission to release information to the public regarding AHERF's agreement with Vanguard Health Systems to sell six institutions in the Delaware Valley in return for sufficient cash to liquidate certain obligations. The sale will be subject to approval by the AHERF and Vanguard Boards of Trustees as well as the Pennsylvania and New Jersey Attorneys General and Orphans' Courts in both states. It is hoped that the sale could close prior to June 30, assuming that necessary regulatory approvals can be obtained. Following discussion, those present recommended that the Committee advance the following resolution to the AHERF Board of Trustees for approval:

RESOLVED, that the Board of Trustees of Allegheny Health, Education and Research Foundation accepts the Results of AHERF Operations for the Period Ended January 31, 1998, as presented; and directs the Secretary to append a copy of the Accepted Results of AHERF Operations for the Period Ended January 31, 1998 to the original minutes of the meeting.

D. Coopers & Lybrand Proposed AHERF Audit Plan

David McConnell introduced William F. Buettner, who presented the external audit plan. Accompanying Mr. Buettner was Louis L. Testoni, Managing Partner of the Pittsburgh office of Coopers & Lybrand. William F. Buettner introduced the Coopers & Lybrand proposed Fiscal 1998 AHERF Audit Plan to the Committee, noting that a risk assessment of financial and accounting systems continues to be the approach by which Coopers & Lybrand evaluates AHERF's

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business processes and controls. Coopers has classified the major areas of risk as follows:

- Revenue
- Funds Management (cash flow, investments, management of debt)
- Compliance

A detailed audit plan was presented, listing the significant systems and the manner in which the audit work will be performed. A detailed fee schedule was also provided. Louis Testoni indicated that Coopers is committed to its clients to provide appropriate resources in a changing environment, and he briefly discussed the background of the members of the engagement team. Regarding the proposed merger of Coopers & Lybrand with Price Waterhouse, Mr. Testoni noted that the merger is awaiting regulatory approval in many foreign countries. Mr. Testoni assured the Trustees that AHERF is an important client to the Pittsburgh office, and it is expected that Coopers & Lybrand's merger process will be invisible to its clients. Following discussion, those present recommended that the Committee advance the following resolution to the AHERF Board of Trustees for approval:

RESOLVED, that the Board of Trustees of Allegheny Health, Education and Research Foundation approves the Coopers & Lybrand Proposed Audit Plan, as presented; and directs the Secretary to append a copy of the approved Plan to the original minutes of the meeting.

IV. Information and Discussion Items

A. Update: Status of Intercompany Borrowings

Mr. Barnes noted that at the previous meeting Mr. Abdelhak suggested that a Committee be formed to develop procedures for an intercompany loan process. He has since recommended to management that formation of a Committee be deferred, inasmuch as the loans are presently in the process of being repaid, but emphasized that it will be important to work out procedures to be followed for future intercompany borrowings. He also noted that there are daily transfers of funds among the various entities because of our structure and that only a few constitute borrowings or non-routine transfers. Mr. McConnell reviewed a

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schedule of intercompany receivables/payables, noting that the Eastern Region hospitals and the University have repaid a substantial portion of their loans. Mr. Buetner confirmed that a letter has been provided to management verifying the accuracy of the schedule.

B. Update: Status of Government Audits of Physicians at Teaching Hospitals

Diane Schrecengost noted that a periodic update is provided on the status of the government initiative in reviewing compliance with Medicare rules governing Physicians at Teaching Hospitals. Although AHERF continues to work cooperatively with the Inspector General's office, Allegheny University of the Health Sciences has joined a lawsuit with the American Association of Medical Schools, seeking to end the PATH audit initiative as it is currently being conducted.

C. Information Systems and Technology Year 2000 Status Report

Joseph Dionisio summarized a report detailing the process by which the Information Services Department is focusing on the presence of system problems with the approach of January 1, 2000. Staff has been dedicated to this process, and they will serve as the project office through which Year 2000 compliance standards can be achieved. Diane Schrecengost noted that it is important to understand that there are a number of decentralized information systems in the organization that are not under the direct support of the Information Services group, and the responsibility for assuring Year 2000 compliance lies with the President of the individual entities controlling such decentralized systems. Discussion ensued regarding the readiness of the organization, and Mr. Dionisio stated that, while there may be systems that fail, the mission critical systems will be protected.

D. Information Services Benchmarking Analysis

Mr. Dionisio stated that a benchmarking analysis had recently been undertaken, using the approach of comparing AHERF to business organizations other than the health care industry. Mr. Dionisio reviewed some of the results of the analysis, noting that AHERF spends about \$2,000 per user, compared to \$9,000 in other organizations. Mary Anne Darragh, representing the user community, noted that important strides have been made toward achieving a base level of clinical functionality.

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E. Information Systems and Technology Strategic Status Report

Joseph Dionisio introduced a report detailing the strategic initiatives undertaken by the department. Mary Anne Darragh noted that the installation of these systems has been a major enhancement in the Delaware Valley because, in many cases, the prior systems were antiquated or systems did not exist. Additional work needs to be done to bring the AUMP practices up to an enhanced level of functionality.

F. Management Report on Investments

Michael Martin reviewed the performance of AHERF's investment portfolio, noting that the results have been competitive for the funds that are managed. The consolidation of all funds into a common management structure will continue to occur throughout the next year.

G. Audit Services Activity Report

Diane Schrecengost reported that summary reports of all Audit Services audits and/or reviews were provided as information. Ms. Schrecengost noted that Christian Presley Ford has been hired in the position of Billing Compliance Officer. In her previous position, Ms. Presley Ford negotiated health care settlements for the Office of the Inspector General and is uniquely suited to this position because of her background as both a lawyer and a nurse. Ms. Ford's presence will allow appropriate focus on key billing compliance issues within the context of AHERF's total compliance responsibilities.

H. Review of Cash Disbursements

Mr. Martin reported that a list of AHERF check and wire transfer disbursements in excess of \$200,000 for the period October-December, 1997 was provided to the Committee as information. The Committee will continue to review such transactions at each meeting.

I. Proposed Calendar of Finance and Audit Committee Agenda Items

David McConnell noted that since this is the first meeting of the combined Committee, a calendar of activities for the committee is proposed. Mr. Barnes noted that an update on Year 2000 compliance should be made at each meeting.

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J. Addition to Agenda: Restructure of Lines of Credit

Mr. Barnes opened the discussion regarding the AHERF Line of Credit, providing background information to the Committee as to the origination of the line of credit arrangement with Mellon Bank as lead agent for a syndicate of three other banks. As a result of the financial performance in the Delaware Valley during recent months, an event of default occurred under the credit agreement. In negotiating with the lenders, a tentative agreement has been reached to restructure the current credit obligations under a new credit agreement. It is anticipated that the line will be fully repaid with the sale of certain assets in the Delaware Valley to Vanguard Health Systems. Following discussion regarding the continued use of Mellon Bank and the consideration of other Pittsburgh banks for the line of credit, those present recommended that the Committee advance the following resolution to the AHERF Board of Trustees for approval:

WHEREAS, Allegheny Health, Education and Research Foundation ("AHERF") entered into a Credit Agreement dated March 7, 1997 (the "1997 Credit Agreement") with several lenders (the "1997 Lenders") to provide a credit facility, the purpose of which was to refinance certain credit of AHERF affiliates; and

WHEREAS, loans in the aggregate principal amount of \$87,300,000 (the "1997 Loans") and two letters of credit in an aggregate face amount of \$1,837,606 (the "1997 Letters of Credit") are outstanding; and

WHEREAS, an "Event of Default" under, and as defined in the 1997 Credit Agreement has occurred and is continuing due to a breach of the Obligated Group Liquidity Ratio covenant relating to the DVOG; and

WHEREAS, AHERF has requested certain banks (the "1998 Lenders") to make new Loans to AHERF for the sole purpose of paying the principal of the 1997 Loans and issue new Letters of Credit for the sole purpose of replacing the 1997 Letters of Credit, all for the purpose of curing the Event of Default; and

WHEREAS, the 1998 Lenders are willing to make the Loans and

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION
FINANCE AND AUDIT COMMITTEE - SUMMARY OF DISCUSSIONS

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issue the Letters of Credit, but only upon and subject to the terms and conditions of a Credit Agreement by and among AHERF, the Lender Parties thereto, and Mellon Bank, N.A., as Agent (the "1998 Credit Agreement"), and the Amended and Restated Pledge Agreement, to be entered into between AHERF and Mellon Bank, N.A., as Agent, in connection with the 1998 Credit Agreement;

NOW, THEREFORE, BE IT RESOLVED, That the Board of Trustees of AHERF hereby approves and authorizes the borrowing of \$87,300,000 from a bank or banks for the sole purpose of paying the principal of the 1997 Loans; and

FURTHER RESOLVED, That the Board of Trustees of AHERF hereby approves and authorizes the issuance of Letters of Credit in the aggregate amount of \$1,837,606 for the sole purpose of replacing the 1997 Letters of Credit; and

FURTHER RESOLVED, that the officers of AHERF, each severally, are authorized and directed to execute and deliver on behalf of and in the name of AHERF any and all instruments, agreements or documents that may be required by the 1998 Lenders in order to effect the intent of this Resolution including, but not limited to, the Amended and Restated Pledge Agreement, which provides for the pledge of collateral under certain circumstances equal to 1.4 times the outstanding amount of the Secured Obligations; and

FURTHER RESOLVED, that the officers of AHERF, each severally, are authorized and directed to take all action necessary in order to effect the intent of these Resolutions, including, but not limited to, maintaining the Borrower Liquidity Ratio, as defined in the 1998 Credit Agreement, at not less than 1.40 to 1.00, so long as any Secured Obligations of AHERF under the 1998 Credit Agreement remain outstanding.

K. Recommendation for Consulting Services

David Barnes commented on the disappointing financial results of the organization during the current fiscal year and referred to massive changes in the industry, in the way AHERF's growth occurred as well as the recent

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION
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changes in reimbursement patterns. Mr. Barnes recommended that management retain an experienced and outstanding consulting firm to work with the organization in developing a strategic plan for the next five to ten years. The firm selected would also help in better understanding the flow of funds for the future. Mr. Abdelhak stated that he agreed with the recommendation and was in the process of determining suitable firms or individuals from which to solicit proposals.

V. Offer of Executive Session

The offer of Executive Session was made to the representatives of Coopers & Lybrand, and the offer was declined.

The offer of Executive Session was also extended to Audit Services, and the offer was declined.

The offer of Executive Session was made to management, and the offer was declined.

VI. Adjournment

There being no further business, the meeting was adjourned at 2:35 p.m.

Respectfully submitted

Nancy A. Wynstra, Esq.
Secretary

NAW:cg

c:\minutes\031198.fin

NOTED ATTACHMENTS: Notice of meeting; Results of AHERF Operations for the Period Ended January 31, 1998; Coopers & Lybrand Proposed AHERF Audit Plan.

2

JB 00494

Results of AHERF Operations for the Period Ended April 30, 1998

Enclosed behind this tab are the Results of AHERF Operations for the Period Ended April 30, 1998.

Committee members may contact David W. McConnell at (412) 359-3341 if they have any questions or wish to obtain further information prior to the meeting.

The AHERF Finance and Audit Committee is asked to consider approval of the following resolution:

RESOLVED, that the Allegheny Health, Education and Research Foundation Finance and Audit Committee accepts the Results of AHERF Operations for the Period Ended April 30, 1998, as presented; and directs the Secretary to append a copy of the accepted Results of AHERF Operations for the Period Ended April 30, 1998 to the original minutes of the meeting.

EXHIBIT 2042

**Meeting of the Committee on Trustees of
Allegheny Health, Education and Research Foundation**

A meeting of the Committee on Trustees of Allegheny Health, Education and Research Foundation was held on Tuesday, November 19, 1996 at 2:00 p.m. via videoconference at the Allegheny Health, Education and Research Foundation Fifth Avenue Place Conference Room, Pittsburgh, Pennsylvania, and the Allegheny University of the Health Sciences, Hahnemann Campus, President's Conference Room, Philadelphia, Pennsylvania.

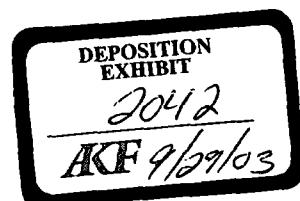
<u>Members Present</u>	<u>Invited Guests Present</u>	<u>Members Absent</u>
Sherif S. Abdelhak	Nancy A. Wynstra	Leonard T. Ebert
J. David Barnes		
Ralph W. Brenner, Esq.		
Maurice C. Clifford, M.D.		
Douglas D. Danforth		
Harry R. Edelman, III		
Ira J. Gumberg		
Francis B. Nimick, Jr.		
W.P. Snyder III		

I. OPENING OF THE MEETING

The meeting was called to order at 2:00 p.m. by Chairman Nimick, who declared that a quorum was present and the meeting was competent to proceed. Nancy Wynstra maintained the minutes of the meeting.

II. ADDITIONS TO THE AGENDA

There were no additions to the agenda.



Meeting of the Committee on Trustees
November 19, 1996
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III. APPROVAL ITEMS

A. Minutes from the Meeting Held on June 3, 1996

The minutes from the meeting held on June 3, 1996 were presented. Upon motion duly made and seconded, the Committee approved the following resolution:

RESOLVED, that the Committee on Trustees of Allegheny Health, Education and Research Foundation approves the Minutes from the meeting held on June 3, 1996, as presented.

B. Recommended Corporate Structure

Mr. Abdelhak presented an organizational chart depicting the proposed corporate structure for Allegheny Health, Education and Research Foundation and its subsidiaries. He explained how the proposed new structure differs from the current structure. There was discussion regarding the need for increased communication between the various subsidiary boards of AHERF. It was recommended that a management group, including the various Board and Committee chairs and the members of senior management, convene once or twice a year to collectively discuss current significant issues throughout the organization.

Following discussion and upon motion duly made and seconded, the Committee recommended that the Board of Trustees of AHERF consider the following resolution:

RESOLVED, that the Board of Trustees of the Allegheny Health, Education and Research Foundation approves the AHERF Corporate Structure substantially as presented; and directs the Secretary to append a copy of the approved Structure to the original minutes of this meeting.

Meeting of the Committee on Trustees
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C. **RECOMMENDATIONS FOR BOARD MEMBERSHIP**

Mr. Abdelhak presented proposed appointments to various Allegheny Boards for such classes and terms as indicated below.

Following discussion, and upon motion duly made and seconded, the Committee recommended that the Board of Trustees of Allegheny Health, Education and Research Foundation appoint the individuals indicated below to the Boards and for the terms indicated.

1. **Allegheny Health, Education and Research Foundation**

Appointment of Trustee

The Committee on Trustees recommends that the Board of Trustees of Allegheny Health, Education and Research Foundation appoint the following to serve as a Trustee of Allegheny Health, Education and Research Foundation in such class and for such term as indicated:

Class II - Term Expiring Annual Meeting 1999

Robert L. Fletcher

Reappointment of Trustees

The Committee on Trustees recommends that the Board of Trustees of Allegheny Health, Education and Research Foundation reappoint the following to serve as Trustees of Allegheny Health, Education and Research Foundation, in such class and for such term as indicated:

Class II - Term Expiring Annual Meeting 1999

Dorothy McKenna Brown, Ed.D.
Leonard T. Ebert
Alfred Martinelli
Joseph Neubauer

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Robert B. Palmer
Richard Spielvogel, M.D.
Leon C. Sunstein, Jr.

2. Allegheny General Hospital

Appointment of Trustee

The Committee on Trustees recommends that the Board of Trustees of Allegheny Health, Education and Research Foundation, acting as the Member of Allegheny General Hospital, appoint the following to serve as a Trustee of Allegheny General Hospital in such class and for such term as indicated:

Class II - Term Expiring Annual Meeting 1999

Richard P. Shannon, M.D.

Reappointment of Trustees

The Committee on Trustees recommends that the Board of Trustees of Allegheny Health, Education and Research Foundation, acting as the Member of Allegheny General Hospital, reappoint the following to serve as Trustees of Allegheny General Hospital, in such class and for such term as indicated:

Class II - Term Expiring Annual Meeting 1999

William H. Genge
Ira J. Gumberg
Graemer K. Hilton
Richard White, Ph.D.

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3. Allegheny Integrated Health Group

Appointment of Trustees

The Committee on Trustees recommends that the Board of Trustees of Allegheny Health, Education and Research Foundation, acting as the Member of Allegheny Integrated Health Group, appoint the following to serve as Trustees of Allegheny Integrated Health Group in such class and for such term as indicated:

Class III - Term Expiring Annual Meeting 1997

Robert L. Fletcher

Class I - Term Expiring Annual Meeting 1998

Randall L.C. Russell, Ph.D.

Class II - Term Expiring Annual Meeting 1999

Fred M. Rock

Reappointment of Trustees

The Committee on Trustees recommends that the Board of Trustees of Allegheny Health, Education and Research Foundation, acting as the Member of Allegheny Integrated Health Group, reappoint the following to serve as Trustees of Allegheny Integrated Health Group in such class and for such term as indicated:

Class II - Expiring Annual Meeting 1999

Maurice C. Clifford, M.D.
Claire W. Gargalli
Graemer K. Hilton

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4. Allegheny-Singer Research Institute

Reappointment of Trustee

The Committee on Trustees recommends that the Board of Trustees of Allegheny Health, Education and Research Foundation, acting as the Class A Member of Allegheny-Singer Research Institute, reappoint the following to serve as a Trustee of Allegheny-Singer Research Institute, in such class and for such term as indicated:

Class II - Term Expiring Annual Meeting 1999

William T. Duboc

5. Diversified Health Group

Reappointment of Directors

The Committee on Trustees recommends that the Board of Trustees of Allegheny Health, Education and Research Foundation, acting as the Sole Shareholder of Diversified Health Group, appoint the following to serve as Directors of Diversified Health Group in such class and for such term as indicated:

Class III - Expiring Annual Meeting 1997

Dwight Kasperbauer
David W. McConnell
Nancy A. Wynstra, Esq.

Meeting of the Committee on Trustees
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6. Allegheny University of the Health Sciences

Appointment of Trustees

The Committee on Trustees recommends that the Board of Trustees of Allegheny Health, Education and Research Foundation, acting as the Member of Allegheny University of the Health Sciences, appoint the following to serve as Trustees of Allegheny University of the Health Sciences, in such class and for such term as indicated:

Initial Term - Expiring Annual Meeting 1997

Sr. Rosemary Donley, S.C., R.N.

Class III - Term Expiring Annual Meeting 1997

Rajiv Gupta
Peter N. Stephans

Class I - Term Expiring Annual Meeting 1998

William F. Adam
Dennis D. Heindl

Class II - Term Expiring Annual Meeting 1999

William T. Duboc
Charles J. Queenan, Jr., Esq

Reappointment of Trustees

The Committee on Trustees recommends that the Board of Trustees of Allegheny Health, Education and Research Foundation, acting as the Member of Allegheny University of the Health Sciences, reappoint the following to serve as Trustees of Allegheny University of the Health Sciences, in such class and for such term as indicated:

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Class II - Term Expiring Annual Meeting 1999

Jules Blake, Ph.D.
William J. Brecht
Stuart Caine
Betsy Z. Cohen, Esq.
Douglas D. Danforth
Claire Gargalli
Alfred W. Martinelli
Paul Neuwirth
Leon C. Sunstein, Jr.

Commonwealth Representatives - One Year Term

Susan Brozena, M.D.
Annette Marie Rizzo, Esq.
Manuel Stamatakis

7. Allegheny University Hospitals

Reappointment of Trustees

The Committee on Trustees recommends that the Board of Trustees of Allegheny Health, Education and Research Foundation, acting as the Member of Allegheny University Hospitals, reappoint the following to serve as Trustees of Allegheny University Hospitals, in such class and for such term as indicated:

Class II - Term Expiring Annual Meeting 1999

William J. Brecht
William T. Duboc
Joseph H. Gillies
Richard G. Gilmore
Graemer K. Hilton

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8. St. Christopher's Hospital for Children

Appointment of Trustee

The Committee on Trustees recommends that the Board of Trustees of Allegheny Health, Education and Research Foundation, acting as the Member of St. Christopher's Hospital for Children, appoint the following to serve as a Trustee of St. Christopher's Hospital for Children in such class and for such term as indicated:

Initial Term - Expiring Annual Meeting 1997

Pat Croce

Reappointment of Trustees

The Committee on Trustees recommends that the Board of Trustees of Allegheny Health, Education and Research Foundation, acting as the Member of St. Christopher's Hospital for Children, reappoint the following to serve as Trustees of St. Christopher's Hospital for Children in such class and for such term as indicated:

Class II - Term Expiring Annual Meeting 1999

John J. Brennan
Elmore Johnson

9. Allegheny University Hospitals - Centennial

Appointment of Trustees

The Committee on Trustees recommends that the Board of Trustees of Allegheny Health, Education and Research Foundation, acting as the Member of Allegheny University Hospitals - Centennial, appoint the following to serve as Trustees of Allegheny University Hospitals - Centennial, in such class and for such term as indicated:

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Initial Term - Expiring Annual Meeting 1997

Thomas J. Kelly
Stanley Tuttleman

Class I - Term Expiring Annual Meeting 1999

Sherif S. Abdelhak
Ira J. Gumberg
Graemer K. Hilton
Donald Kaye, M.D.
Robert B. Palmer

10. Allegheny University Hospitals - New Jersey

Appointment of Trustees

The Committee on Trustees recommends that the Board of Trustees of Allegheny Health, Education and Research Foundation, acting as the Member of Allegheny University Hospitals - New Jersey, appoint the following to serve as Trustees of Allegheny University Hospitals - New Jersey, in such class and for such term as indicated:

Initial Term - Expiring Annual Meeting 1997

Cyril V. Collins
Mildred R. Gama
Robert Mathews

Class I - Term Expiring Annual Meeting 1999

Sherif S. Abdelhak
Douglas D. Danforth
Donald Kaye, M.D.

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11. Allegheny University Medical Centers

Appointment of Trustees

The Committee on Trustees recommends that the Board of Trustees of Allegheny Health, Education and Research Foundation, acting as the Member of Allegheny University Medical Centers, appoint the following to serve as Trustees of Allegheny University Medical Centers, in such class and for such term as indicated:

Class III - Term Expiring Annual Meeting 1997

Stanley Marks, M.D.
Randall L.C. Russell, Ph.D.

Class I - Term Expiring Annual Meeting 1998

James S. Moore
Thomas H. O'Brien

Class II - Term Expiring Annual Meeting 1999

Sr. Rosemary Donley, S.C.
Robert L. Fletcher

Life Trustees

Wesley E. Blaha
Jeffrey L. Braver
Jack L. Burley
Eva T. Blum, Esq.
Clifton C. Caldwell
C. Samuel Calian, Ph.D.
Sally Childs
Richard H. Daniel
Judith M. Davenport, D.M.D.
Richard E. Fuhrer

Bernard H. Jones
Sandra D. Jordan, Esq.
George J. McClaran
Gregor F. Meyer, Esq.
Pasquale Navarro
Anna Jane Nicholas
George W. Rooney, Jr.
Thomas F. Smith
H. Campbell Stuckeman
Father David H. Taylor
Ellen Walton

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D. Nominations for Allegheny Officers for Calendar Year 1997

Mr. Abdelhak presented the proposed slates of officers for various Boards within the Allegheny System. The Committee on Trustees recommended that the Board of Trustees of the Allegheny Health, Education and Research Foundation approve the election of the suggested slate of officers for the calendar year 1997.

Allegheny Health, Education and Research Foundation

Chair - William P. Snyder III
Vice Chair - Douglas D. Danforth

*Executive Vice President - Calvin Bland
*Executive Vice President - Dwight Kasperbauer
*Executive Vice President - Donald Kaye, M.D.
*Executive Vice President - David W. McConnell
*Executive Vice President - Leonard L. Ross, Ph.D.
*Executive Vice President - Anthony M. Sanzo
*Executive Vice President - Nancy A. Wynstra, Esq.

*Secretary - Nancy A. Wynstra, Esq.
*Treasurer - David W. McConnell
*Assistant Secretary - William C. Kennedy, Esq.
*Assistant Secretary - Lynn R. Isaacs
*Assistant Secretary - Cherry S. White
*Assistant Treasurer - Michael P. Martin

Allegheny General Hospital

Chair - David W. Sculley
Vice Chair - Frank V. Cahouet

*Secretary - Nancy A. Wynstra, Esq.
*Treasurer - Joseph D. Dionisio
*Assistant Secretary - Lynn R. Isaacs
*Assistant Secretary - William C. Kennedy, Esq.
*Assistant Secretary - Cherry S. White

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*Assistant Treasurer - David W. McConnell

Allegheny-Singer Research Institute

Chair - William F. Adam
Vice Chair - Harry R. Edelman III

*Secretary - Olga Perkun, Esq.
*Treasurer - Joseph D. Dionisio
*Assistant Secretary - Lynn R. Isaacs
*Assistant Secretary - Cherry S. White
*Assistant Treasurer - David W. McConnell

Diversified Health Group

Chair & CEO - David W. McConnell
Vice Chair - Nancy A. Wynstra, Esq.

*Secretary - Robert M. McNair, Jr., Esq.
*Treasurer - Al Adamczak
*Assistant Secretary - Janice C. Winters

Allegheny Integrated Health Group

Chair - J. David Barnes
Vice Chair - Ralph W. Brenner, Esq.

*Secretary - Nancy A. Wynstra, Esq.
*Treasurer - David W. McConnell
*Assistant Secretary - Lynn R. Isaacs
*Assistant Secretary - Michael Exler, Esq.
*Assistant Secretary - Robert M. McNair, Jr., Esq.
*Assistant Treasurer - Donald E. Kline

Allegheny University of the Health Sciences

Chair - William P. Snyder III
Vice Chair - Douglas D. Danforth
Vice Chair - Robert B. Palmer

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*Executive Vice President - Calvin Bland
*Executive Vice President - Anthony M. Sanzo
*Secretary - Nancy A. Wynstra, Esq.
*Treasurer - David W. McConnell
*Executive Vice President for Health Affairs -
Donald Kaye, M.D.
*Provost & Chief Academic Officer - Leonard L. Ross, Ph.D.
*Assistant Secretary - Almeta E. Cooper, Esq.
*Assistant Secretary - Lynn R. Isaacs
*Assistant Secretary - Michael Exler, Esq.
*Assistant Treasurer - Charles P. Morrison

Allegheny University Hospitals
(Allegheny United Hospitals, Inc.)
(Hahnemann University Hospital)

Chair - Harry R. Edelman III
Vice Chair - Margaret Gray Wood, M.D.

*Secretary - Robert M. McNair, Jr., Esq.
*Treasurer - Charles P. Morrison
*Assistant Secretary - Doreen Denega, Esq.
*Assistant Secretary - Lynn R. Isaacs
*Assistant Secretary - Nancy A. Wynstra, Esq.
*Assistant Treasurer - David W. McConnell

St. Christopher's Hospital for Children

Chair - Ralph W. Brenner, Esq.
Vice Chair - John J. Brennan

*Secretary - Nancy A. Wynstra, Esq.
*Treasurer - Charles P. Morrison
*Assistant Secretary - Brenda A. Waiter, Esq.
*Assistant Secretary - Lynn R. Isaacs
*Assistant Treasurer - David W. McConnell

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Allegheny University Medical Centers

Chair - Thomas H. O'Brien

President and CEO - Barry H. Roth
*Secretary - Nancy A. Wynstra, Esq.
*Treasurer - David W. McConnell
*Assistant Secretary - Andrew Thurman, Esq.
*Assistant Secretary - Lynn R. Isaacs
*Assistant Treasurer - Michael W. Moyer

Allegheny University Hospitals - Centennial***

Chair - Ira J. Gumberg
Vice Chair and CEO - Donald Kaye, M.D.

President - Robert Mathews
*Secretary - Nancy A. Wynstra, Esq.
*Treasurer - David W. McConnell
*Assistant Secretary - Lynn R. Isaacs
*Assistant Treasurer - Charles P. Morrison

Allegheny University Hospitals - New Jersey***

Chair - Douglas D. Danforth

President and CEO - Robert Mathews
*Secretary - Nancy A. Wynstra, Esq.
*Treasurer - David W. McConnell
*Assistant Secretary - Lynn R. Isaacs**
*Assistant Treasurer - Charles P. Morrison**

* Elected Officer without vote

** Additional Assistant Secretaries and Assistant Treasurers may need to be appointed before the Corporation is activated.

*** To be effective as of the date that Allegheny University Hospitals - Centennial and Allegheny University Hospitals - New Jersey become part of the ABERF system.

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E. Conflict of Interest Policy Bylaw Amendments

Ms. Wynstra presented a proposed policy and relevant bylaw amendment language relative to the Conflict of Interest Policy. She advised that the granting of federal tax-exempt status to Allegheny Integrated Health Group ("AIHG") is contingent upon AIHG's adoption of the IRS's new form of conflict of interest policy. That policy is not inconsistent with the policies previously adopted by Allegheny Health, Education and Research Foundation and the other entities in the AHERF system, including AIHG. To enable AIHG and other new entities to obtain federal tax-exempt status and to ensure continued uniformity among AHERF and the other entities in the AHERF system, it is recommended that the corporate Bylaws of each Allegheny entity be amended, and that the suggested form of conflict of interest policy be adopted by AHERF as the policy for it and its subsidiaries.

Upon motion duly made and seconded, the Committee recommended that the AHERF Board approve the following resolution:

WHEREAS, the Internal Revenue Service has recently issued a suggested form for conflict of interest policies for tax-exempt organizations; and

WHEREAS, Allegheny Health, Education and Research Foundation (AHERF) has a systemwide Code of Ethics program, which includes a Conflict of Interest program; and

WHEREAS, obtaining and maintaining tax-exempt status will be simplified by amending AHERF's current conflict of interest program to include certain specific language suggested by the IRS.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Trustees of Allegheny Health, Education and Research Foundation, for itself and each of its subsidiaries, hereby approves the amendments to its Bylaws and the Bylaws of each Allegheny entity in the form attached hereto as Exhibit "A"; and

FURTHER RESOLVED, that the Board adopts the Conflict of Interest Policy, in substantially the form attached hereto as Exhibit "C", as the policy for AHERF and its subsidiaries; and

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FURTHER RESOLVED, that the Secretary is directed to attach to the minutes of this meeting a copy of the Bylaw amendments and Conflict of Interest Policy as presented to this meeting.

IV. INFORMATION AND DISCUSSION ISSUES

A. Establishment of a Research Committee or Subcommittee

There was a conceptual discussion regarding the establishment of a research committee or subcommittee within the governance constituency of Allegheny University of the Health Sciences ("AUHS") in light of the transfer of the majority of research grants from Allegheny-Singer Research Institute to AUHS. The Committee recommended that current external trustee members of the Allegheny-Singer Research Institute Board be invited to be members of a new Research Subcommittee of the AUHS Academic Affairs Committee.

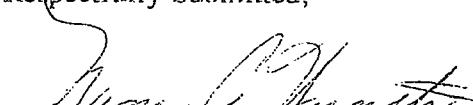
B. Prospective Trustees for AHERF Subsidiary Organizations

The Committee members requested that they be provided with a list of all current trustees and the Boards on which they serve. Mr. Abdelhak asked that the Committee think about some additional trustees in each city who would be strong and active trustees and submit suggestions to him. He also suggested perhaps considering Honorary or Emeritus status for some of the current trustees who have become less active.

V. ADJOURNMENT

There being no further business, the meeting was adjourned.

Respectfully Submitted,


Nancy A. Wynstra, Esq.
Secretary

/JH

NOTED ATTACHMENTS: AHERF Corporate Structure: Exhibit "A" - Amendments to the Bylaws; Exhibit "C" - Conflict of Interest Policy.

EXHIBIT 2050

ALLEGHENY HEALTH, EDUCATION AND RESEARCH FOUNDATION
Pittsburgh, Pennsylvania

The meeting of the Board of Trustees of Allegheny Health, Education and Research Foundation was held on Friday, October 20, 1995 at 12:00 p.m., in the Kent/Frazier Rooms of Allegheny General Hospital, Pittsburgh, Pennsylvania. The meeting was called pursuant to notice duly given in accordance with the Bylaws to each member of the Board of Trustees. A copy of the notice is appended to the original minutes of this meeting. The following individuals were present:

<u>Members Present</u>	<u>Appointed Officers and Invited Guests</u>	<u>Members Absent</u>
Sherif S. Abdelhak	Lisa Bembenick	Ronald R. Davenport
William F. Adam	Calvin Bland	Judith S. Eaton, Ph.D.
Henry G. Allyn, Jr.	Carol L. Calvert	Leonard T. Ebert
George Amrom, M.D.	Debra L. Caplan	Ira J. Gumberg
Barbara F. Atkinson, M.D.	Deborah Hattrup, Staff	Teresa Heinz
J. David Barnes	Lynn Isaacs	Alfred W. Martinelli
Iain Black, M.D.	Dwight Kasperbauer	Stanley M. Marks, M.D.
Ralph W. Brenner, Esq.	Donald Kaye, M.D.	Leslie Anne Miller, Esq.
Dorothy McKenna Brown, Ed.D.	David W. McConnell	Chryss O'Reilly
Douglas D. Danforth	James H. McMaster, M.D.	J. Brandon Snyder
Harry R. Edelman, III	Robert M. McNair, Jr, Esq.	Richard Spielvogel, M.D.
William H. Genge	Robert T. Rubin, M.D.	W. Bruce Thomas
Robert M. Hernandez	Anthony M. Sanzo	Margaret Gray Wood, MD
Oksana Korzeniowski, M.D.	Cherry S. White	
Joseph C. Maroon, M.D.		
Donna M. Murasko, Ph.D.		
Francis B. Nimick, Jr.		
Robert B. Palmer		
David W. Sculley		
W.P. Snyder, III		
Leon C. Sunstein		

I. Opening of Meeting

The meeting was called to order by W. P. Snyder, III, Chairman. Cherry White maintained the minutes. The Chairman declared that a quorum was present and the meeting was competent to proceed.

II. Additions to the Agenda

There were no additions to the agenda.



III. Approval Items

A. AHERF Governance Issues

1. Minutes from the Meeting Held on June 30, 1995

Mr. Snyder presented the Minutes from the meeting held on June 30, 1995. Upon motion duly made and seconded, the Board adopted the following resolution:

RESOLVED, that the Board of Trustees of Allegheny Health, Education and Research Foundation approves the minutes from the meeting held on June 30, 1995, as presented.

B. Report from the Committee on Trustees

1. Recommendations for Board Membership

Mr. Nimick presented the recommendation from the Committee on Trustees to appoint Thomas H. O'Brien to serve as Trustee and to reappoint various Trustees for approval. Upon motion duly made and seconded, the Board adopted the following resolution:

RESOLVED, that the Board of Trustees of Allegheny Health, Education and Research Foundation approves the appointment of the following to serve as Trustee of Allegheny Health, Education and Research Foundation, for such term as indicated.

Effective January 1, 1997 - Initial Term Expires Annual Meeting 1997

Thomas H. O'Brien

Reappointment of Trustees

RESOLVED, that the Board of Trustees of Allegheny Health, Education and Research Foundation approves the reappointment of the following to serve as Trustees of Allegheny Health, Education and Research Foundation, in such class and for such term as indicated:

Meeting of the Board of Trustees of
Allegheny Health, Education and Research Foundation
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Class III - Term Expiring Annual Meeting 1998

Henry G. Allyn, Jr.
J. David Barnes
Ira J. Gumberg
Teresa Heinz
Francis B. Nimick, Jr.
Chryss O'Reilly
W. Bruce Thomas

2. Election of AHERF Officers for Calendar Year 1996

Mr. Nimick presented the recommended slate of AHERF officers for Calendar Year 1996 for approval. Upon motion duly made and seconded, the Board adopted the following resolution:

RESOLVED, that the Board of Trustees of Allegheny Health, Education and Research Foundation, elects the following officers to serve at the pleasure of the Board for the ensuing year.

Chairman - William P. Snyder III
Vice Chairman - Douglas D. Danforth

*Executive Vice President - Calvin Bland
*Executive Vice President - Carol L. Calvert
*Executive Vice President - Dwight Kasperbauer
*Executive Vice President - Donald Kaye, M.D.
*Executive Vice President - David W. McConnell
*Executive Vice President - Leonard L. Ross, Ph.D.
*Executive Vice President - Anthony M. Sanzo
*Executive Vice President - Nancy A. Wynstra, Esq.

*Secretary - Nancy A. Wynstra, Esq.
*Treasurer - David W. McConnell
*Assistant Secretary - William C. Kennedy, Esq.
*Assistant Secretary - Lynn Isaacs
*Assistant Secretary - Cherry S. White
*Assistant Treasurer - Joseph Dionisio
*Assistant Treasurer - Michael Martin
*Assistant Treasurer - Charles P. Morrison
*Assistant Treasurer - Stephen H. Spargo

*Elected Officer without vote

C. Report from the Audit Committee

1. Report on FY 1995 Audited Financial Statements and Related Reports for AHERF Subsidiaries

Mr. Barnes presented the Report on FY 1995 Audited Financial Statements and Related Reports for AHERF Subsidiaries stating that the statements are in good condition, and noting that Accounts Receivable numbers are up due to the consolidation of the Accounts Receivable system throughout AHERF. Upon motion duly made and seconded, the Board adopted the following resolution:

RESOLVED, that the Board of Trustees of Allegheny Health, Education and Research Foundation approves the Fiscal Year 1995 Audited Financial Statements and Related Reports for AHERF and its Subsidiaries; and

FURTHER RESOLVED, that the Board instructs the Secretary to append copies of the approved Fiscal Year 1995 Audited Financial Statements and Related Reports for AHERF and its Subsidiaries to the original minutes of this meeting.

2. FY 1995 Report on AHERF Internal Controls

Mr. Barnes presented the FY 1995 Report on AHERF Internal Controls stating that the internal controls are maturing and developing. He noted that this year's audit was most difficult due to the consolidation of the various System accounting departments. Upon motion duly made and seconded, the Board adopted the following resolution:

RESOLVED, that the Board of Trustees of Allegheny Health, Education and Research Foundation accepts the Fiscal Year 1995 Report on AHERF Internal Controls as presented; and

FURTHER RESOLVED, that the Board instructs the Secretary to append copies of the accepted Fiscal Year 1995 Report on AHERF Internal Controls to the original minutes of this meeting.

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3. Recommendation for Appointment of External Auditors for Fiscal Year 1996

Mr. Barnes presented the recommendation that Coopers and Lybrand be reappointed as external auditors to AHERF and its subsidiaries. A request was made to provide the Board, annually, with an accounting of expenditures for the current year's audit and an estimate for the next year's audit. Upon motion duly made and seconded, the Board adopted the following resolution:

RESOLVED, that the Allegheny Health, Education and Research Foundation Board of Trustees reappoints Coopers & Lybrand as independent auditors for AHERF and its subsidiary organizations for Fiscal Year 1996.

IV. Information Items

A. Allegheny Health, Education and Research Foundation

Mr. Abdelhak reviewed with the Board, certain current AHERF activities. He stressed that AHERF will move concurrently in many directions so that we can pursue our Mission in an aggressive way. He stated that we must be prepared to assume risk, to improve productivity and to secure and expand our presence in a variety of ways, and he emphasized that we have the ability unleash the creative and intellectual capacity throughout the System.

B. Reports from Supported Organizations

1. Allegheny General Hospital

Mr. Sanzo presented an update on the current status of AGH. He highlighted four key areas of concentration: cost reduction; expanding AGH's referral base; improving AGH's image and increasing the number of managed care contracts.

2. Allegheny - Singer Research Institute

Mr. Adam presented the ASRI Report noting that ASRI, in collaboration with Carnegie Mellon University, has received a \$21million grant from the Department of Commerce for an advanced telemedicine project. Dr. McMaster noted that additional external support brings the total of this grant to \$51million. Dr. McMaster also discussed various components of the Report noting the current status of our relationship with Medical Science Partners, Fund Development accomplishments and Dr. Acevedo's published research.

3. Allegheny Health Services Providers Insurance Co.

Mr. Abdelhak presented a brief update on the status of Allegheny Health Services Providers Insurance Company stating that the company has saved a great deal of money for the organization. He noted that last year, the company saved AHERF over \$10 million dollars. He commended Nancy Wynstra's efforts in accomplishing such exceptional results.

4. Allegheny Integrated Health Group

Carol Calvert presented the Report of the President and CEO of AIHG, noting that network development progress continues. She noted that the first pediatric practice has been acquired in Pittsburgh. In Philadelphia, ten OB/GYN practices have been added this quarter. Ms. Calvert stated that developing AIHG's management team continues to be a high priority noting that a Chief Information Officer has been named and a Vice President has been hired in the Pittsburgh region.

5. Diversified Health Group

Mr. McConnell presented the report of Diversified Health Group noting that the aircraft's utilization is very high and is expected increase in the next year.

6. The Medical College of Pennsylvania and Hahnemann University

Mr. Abdelhak gave an update on the status of MCPHU, noting that the University is a very attractive institution and as part of an academic health system, is in a unique setting; this attracts outstanding people who are stimulated by the opportunities offered by the System. He also informed the Board that the School of Public Health is expected to receive approval from the Department of Education.

7. The Medical College of Pennsylvania and Hahnemann University Hospital Systems

Dr. Kaye provided the Report of the President & CEO of MCPHUHS noting that many new physicians have been recruited which will allow the hospital system to diversify and to improve capabilities in many areas. He stated that continued growth is expected for all cardiac services in FY 1996, that the Patient Focused Initiative implementation is complete, that admissions are close to budget and that the Family Practice Residency program officially started at Bucks County Hospital on July 1, 1995.

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8. St. Christopher's Hospital for Children

Mr. Bland presented the Report of the President & CEO of SCHC, highlighting the continuing difficulties with Temple and noting that a high priority will be to maintain SCHC's market share when Temple's new facility is complete. He also noted that SCHC continues to work closely with AIHG satellite facilities to facilitate enhancement and growth. Mr. Bland also stated that this is the first year of a planned three year public relations strategy to promote the recognition of St. Christopher's.

C. Report on Managed Organizations:

Ohio Valley Health Services and Educational Corporation

Mr. McConnell presented the President's Report, noting that Ohio Valley is in serious negotiations with an HMO in the Upper Ohio Valley, which could help stabilize revenues. Discussion ensued as to referrals to Allegheny General. Mr. McConnell stated that he anticipates an increase in referrals in FY 1996.

V. Adjournment

There being no further business, the meeting was adjourned at 2:15 p.m.

Sincerely,

Cherry S. White

Cherry White
Secretary

NOTED ATTACHMENTS: Meeting notice, FY 1995 Audited Financial Statements, FY 1995 Report on Internal Controls

EXHIBIT 2051